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SOURCE Finansy i Kredit SSSR, No 2, 1952.THE GOSBANK AND INTERNATIONAL SETTLEMENTS OF THE USSR

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## I

The negotiation of settlements with foreign governments is one of the most important functions of the Gosbank USSR. Other functions are: maintaining foreign currency reserves, arranging for the expedient investment of foreign currency, timely replenishment of foreign currency reserves, and control of correct and economical utilization of foreign currency reserves.

International settlements of the Soviet Union are concerned primarily with foreign trade operations. The Gosbank accumulates currency as a result of export trade and services rendered abroad and makes payments, as directed by Soviet organizations, for imports from abroad and also for services rendered by foreign organizations and individuals.

The Gosbank handles international settlements involving (1) long- and short-term credits extended by the Soviet Union to socialist and democratic countries and credits which the USSR has received in foreign countries.

The Gosbank handles money transfers to pay the expenses of diplomatic, trade, and other USSR representatives in foreign countries; money transfers from abroad to pay the expenses of representatives of foreign countries in the USSR; money orders; sale and purchase of checks; letters of credit, and other payment documents.

In the postwar years, foreign trade turnover increased considerably, and in 1949 it more than doubled the prewar level. The trade turnover with the People's Democracies, which constituted about 70 percent of all USSR foreign trade, showed a remarkable increase, and it has increased continuously since then. At present (1952), the foreign-trade turnover of the Soviet Union is above 18 billion rubles a year, and continues to grow.

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## II

In addition to carrying on foreign trade with the People's Democracies, the Soviet Union renders extensive aid to these countries by establishing long-term credits and loans on easy terms.

The fundamental difference between the international settlements of the USSR and the People's Democracies, and between the USSR and the capitalist world, is the same difference that underlies the economic and political systems of each bloc. The USSR's settlements with the outside world are carried out on the basis of currency monopoly, in the same way as the total trade turnover of the Soviet Union with the outside world is carried out on the basis of state monopoly of foreign trade. The USSR grants to its Gosbank the exclusive right to make foreign settlements in gold, silver, and foreign currency, with payment documents made out in foreign currency.

Apart from the Gosbank, only the Bank for Foreign Trade USSR can make settlements with foreign countries.

International settlements are made on a noncash basis, and only the balance of accounts is covered by the import or export of gold. Payments for exported and imported goods and services and also settlements for credit and loans are arranged through bank accounts. For this purpose the Gosbank USSR maintains correspondence relations with the large commercial banks of many countries.

The proceeds received by Soviet foreign trade associations for goods exported from the USSR, and also all other amounts payable to Soviet organizations or individuals in USSR territory, in whatever currency these payments are made, are credited to the accounts of the Gosbank USSR in foreign banks (or to the accounts of the Bank for Foreign Trade), and the ruble equivalent of the credited amount is paid out to the corresponding recipient in the USSR by crediting his account in the Gosbank or the Bank for Foreign Trade.

Payments for goods imported into the USSR and other payments to foreign organizations or individuals abroad are made with foreign-currency funds available in foreign banks for the account of the Gosbank USSR. Organizations or individuals who instruct the Gosbank to pay a definite sum abroad make a corresponding payment in rubles.

The conversion of rubles into foreign currency in foreign settlement transactions, and also the conversion of foreign currency into rubles, is made at an exchange rate set by the Gosbank USSR. The rate of exchange of the ruble in relation to foreign currency is determined on the basis of the gold content of the ruble, established by a decree of the Council of Ministers USSR on 28 February 1950, at the rate of 0.222168 gram of pure gold, and of the gold content of the corresponding foreign currency. If the actual rate of a foreign currency on the foreign market deviates from its gold content, a corresponding change may be made by the Gosbank in the exchange rate of this currency for the ruble.

## III

Settlements between the Soviet Union and the People's Democracies for reciprocal commodity deliveries are made by clearing accounts. The purpose of these clearing operations is to permit the Gosbank USSR and the corresponding state banks of the People's Democracies to open special accounts for each other, to which payments are credited, for the benefit of each country and through which payments are made to organizations within each country. For instance, settlements for trade turnover between the USSR and Bulgaria are carried out by clearing accounts which are opened in the Gosbank USSR and also in the Bulgarian

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National Bank. When a Soviet foreign trade organization makes a payment to the Gosbank for goods received from Bulgaria, the amount is entered in the clearing accounts of the Bulgarian National Bank, which, on receiving notification from the Gosbank, pays out to the Bulgarian export organization a corresponding sum of Bulgarian leva. On the other hand, amounts paid by Bulgarian foreign trade organizations for goods imported into Bulgaria from the USSR are credited by the Bulgarian National Bank to the clearing account of the Gosbank USSR, which is notified accordingly. On the basis of this information, the Gosbank pays to the Soviet foreign trade organization the amount received from Bulgaria in a corresponding payment by crediting it on the settlement accounts of this organization.

Since the total cost of Soviet goods deliveries to each of the People's Democracies in the course of a year must be equal to the sum of deliveries made by each of these countries to the USSR, the amounts credited by the Gosbank to the clearing accounts of banks of the specified countries must be equal, at the end of the year, to the amounts which each bank credited to the clearing account of the Gosbank.

In such a way, the total reciprocal claims between countries, resulting from the exchange of goods between them, are canceled out, by bookkeeping entries, without the transfer of currency or gold.

If an unpaid balance remains at the end of the year, this balance must be covered in a 3-month period by a goods shipment from the debtor country to the creditor country.

Clearing settlements between the USSR and the People's Democracies facilitate trade transactions and reciprocal commodity shipments. This method of accounting, based on previously determined commodity quotas and delivery dates, makes it possible for the USSR to coordinate its national economic plan with the plans of these countries individually, as well as for the People's Democracies to coordinate their national economic plans among themselves.

Inasmuch as the reciprocal delivery of goods, payments for which are made through clearing accounts, may not occur at the same time or may not be equal in amount, one country or the other may find itself the creditor or debtor. Under the terms of the planned economy of the USSR and the People's Democracies, it is possible to predetermine during which periods and to what extent each country participating in the bilateral clearing transactions will be either creditor or debtor. In the agreements on reciprocal commodity deliveries between the USSR and the People's Democracies, a limit is established to prevent the oversupplying of one party by the other, and a liability limit is also established in clearing accounts. Exceeding of this limit indicates irregularities in the course of fulfilling the plans for reciprocal commodity deliveries between countries.

The limit of indebtedness in clearing accounts thus makes it possible for the participating countries to take coordinated action to bring the commodity deliveries in line with the agreements made.

The prices of goods delivered in accordance with trade agreements between the USSR and the People's Democracies are based on rubles, on a level guaranteeing the interests of both countries. These prices are stable and not subject to the fluctuations characteristic in capitalist economy.

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## IV

The Soviet Union also has clearing agreements with some capitalist countries; for example, with Sweden, Norway, Denmark, Holland, Italy, and others. However, the use of clearing accounts with these countries is more limited than similar transactions with the People's Democracies because the currencies of these countries, as in the majority of capitalist countries, are closed, i. e., they cannot be freely converted into other foreign currencies. Therefore the export of goods into these countries with payment in their national currencies, without corresponding agreements on the method of accounting and payment, entails the risk of immobilizing funds in this currency for a lengthy period.

True to the Stalin policy for preserving peace between nations, and of broadening trade relationships with all countries, the Soviet Union has concluded trade and payment agreements with a number of capitalist countries.

The clearance agreements transacted by the Gosbank with these countries provides for a settlement of counterdemands without need for transfer of foreign currency.

As for the balance of reciprocal demands which are not paid off by a goods shipment from the participant debtor, the Soviet Union stipulates that it is the right of the creditor country to receive payment in free foreign currency or in gold.

These clearing settlements are made in the national currency of the countries with which agreements are concluded. The conversion of the balance of clearing accounts into foreign free currency or into gold is made at a rate of exchange previously agreed upon.

The settlements of the USSR with capitalist countries for goods and services are carried out in clearing accounts and in regular correspondence accounts of the Gosbank, mainly on the basis of letters of credit.

The method of cash collections in settlements with these countries is rarely used, and, when it is, the necessary documents as a rule are sent to the bank of the importing country for delivery of goods against payment due for the total amount of the goods.

The international settlements dealing with the extension of credit by the USSR to the People's Democracies are handled in approximately the same manner as payment settlements with these countries for the shipment of goods.

After the acceptance by the recipient of bills for goods shipped by credit agreement, these bills are not paid by clearance, but are returned to the Gosbank USSR, where the total amount is entered to the credit of the country concerned.

When a country pays off its credit account to the USSR by a shipment of goods, the cost of such goods is applied against payment of the indebtedness either directly or through the clearing accounts of the country concerned with the Gosbank USSR.

Noncommercial settlements with the People's Democracies are handled by the Gosbank USSR either in rubles through clearing accounts or through separate accounts for noncommercial payments.

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With capitalist countries, noncommercial settlements are made in their national currencies through correspondence accounts of the Gosbank in the banks of these countries.

Concentration in the Gosbank USSR (and, in part, the Bank for Foreign Trade) of all international currency transactions of the Soviet Union, together with the foreign trade monopoly, makes it possible (1) to have precise information at any time concerning the status of payment and accounting balances of the USSR, (2) to regulate the incoming and outgoing foreign currencies, and (3) to control the replenishment or use of foreign currency reserves according to the demands of the national economic plan.

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